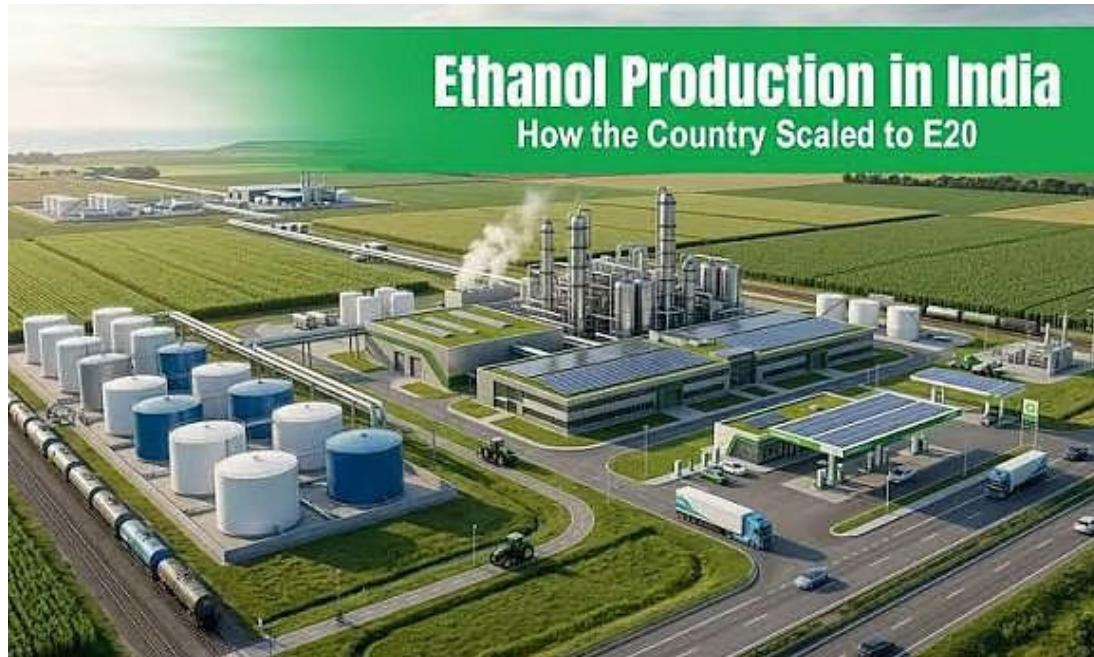


Ethanol demand may hit 17.9 billion litres by FY31; E30 could trigger fresh capacity investments: Report

Existing 18.25-billion-litre distillation capacity can support E25 demand, but an E30 blending trajectory could push requirements 18% above installed capacity, the ratings agency said.



India's ethanol demand could rise to 17.9 billion litres by FY31 under an E25 blending scenario, taking utilisation of the country's existing distillation capacity to around 98%, according to Brickwork Ratings (BWR). The ratings agency said the sector is entering a phase where capacity utilisation, feedstock economics and monetisation of existing assets are likely to determine growth through 2030-31.

India currently has 18.25 billion litres of installed distillation capacity, which BWR said is sufficient to meet demand under its Base and Bear scenarios. If blending remains at E20, demand is estimated at 14.3 billion litres by FY31, implying utilisation of around 78%. Under the Base case, E25 blending would lift demand to 17.9 billion litres.

E30 could create 3.25-billion-litre capacity gap

An E30 trajectory could take ethanol demand to 21.5 billion litres by FY31, about 18% above current installed capacity. BWR said this would be the point at which the industry would move from utilising existing assets to requiring fresh capacity creation, making the pace of blending-policy progression a key determinant of incremental capital expenditure.

The earnings difference across BWR's scenarios is also significant. FY31 sector EBITDA is estimated at ₹5,100 crore in the Bear case, ₹10,400 crore in the Base case and ₹19,200 crore in the Bull case. Corresponding EBITDA margins are projected at 6%, 8.8% and 12.5%, while revenue is estimated at ₹85,800 crore, ₹1.19 lakh crore and ₹1.53 lakh crore, respectively.

Grain-based ethanol gains ground

The feedstock mix has undergone a sharp shift. Grain-based routes accounted for 72% of ESY26 Cycle 1 allocations, compared with 28% for sugar-based routes, reversing the 55:45 sugar-to-grain mix envisaged in the 2021 roadmap. Maize alone accounted for 45.7% of allocations. However, grain-based distilleries have seen EBITDA margins fall from 9.2% in FY21 to 6.7% in FY25, highlighting feedstock-cost pressures.

₹42,000 crore financing supports sector

With E20 largely achieved, BWR expects the sector's focus to shift towards higher utilisation, feedstock optimisation and monetisation of existing assets, including co-products and emerging applications such as Sustainable Aviation Fuel.

BWR has maintained a Stable credit outlook for the sector, supported by government-administered offtake and pricing, E20 achievement and a sanctioned financing base of more than ₹42,000 crore as of October 2025. However, lenders are increasingly differentiating between producers based on feedstock mix and oil marketing company allocation track records, while refinancing and interest-cost risks could emerge as subvention benefits expire during FY26-FY28.